

Top Secret 219

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday July 16, 1977

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Saturday, July 16, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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SOUTH KOREA: Prisoner Released

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[REDACTED] //The Pak government released on Thursday the first political prisoner since the South Korean National Assembly called for clemency for dissidents earlier this month. President Pak evidently hopes that the release and those that are likely to follow will strengthen US support for South Korea.//

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[REDACTED] //The government is handling the move in a low-key manner, attempting to minimize any suggestion that Pak is simply bowing to US pressure on human rights. Pak is also taking care not to encourage his opponents to believe that they can press for more fundamental reforms.//

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[REDACTED] //The freed prisoner, for example--a Presbyterian minister sentenced for criticizing the government--was not given a full pardon but instead was released on "sick bail." The government could use a similar device if it decides to free Kim Tae-chung, Korea's well-known opposition leader, in order to maintain some leverage over Kim and his followers.//

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[REDACTED] //In addition to Kim, the most significant opposition figures who could be released are the eight arrested along with Kim last year for the so-called Myongdong protest manifesto. The number of people eventually released could be substantial. Some 200 of more than 550 South Koreans arrested since May 1975 for violations of Pak's strict political control decree apparently are still in prison. [REDACTED]

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UNITED KINGDOM: Pay Restraint Program

[redacted] //Chancellor of the Exchequer Denis Healey yesterday outlined the Labor government's new pay policy, which may be put to a vote of confidence next week. Healey indicated that the government was unable to hammer out a new pay agreement with the unions; the current agreement expires at the end of the month. Despite an announced tax cut and an increase in social benefits, many unions are demanding pay increases far in excess of the Chancellor's guidelines. Such pay hikes would reduce the likelihood of achieving the government's goal of single-digit inflation by mid-1978.//

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[redacted] Healey pressed for moderation in pay bargaining and established a 10-percent increase in average earnings as the government's goal for the next year. Healey also recommended a continuation of the current policy that calls for an interval of 12 months between wage increases. The proposed ceiling, however, would roughly equal the basic wage increase permitted under the present pay guidelines, which is totally unacceptable to many workers. As a result of the tight pay controls now in effect and the high rate of inflation, real disposable income has fallen by over 3 percent in the past year.

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[] //To induce moderation in pay demands, Prime Minister Callaghan has decided to cut the basic personal income tax rate from 35 percent to 34 percent as well as to raise personal income tax allowances. The government also plans to increase milk subsidies and child benefit rates, and reduce electricity bills for those on social security.//

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[] //The cost of these measures is put at nearly \$5 billion over the next two years. Callaghan had previously offered a \$1.7-billion package as a condition of a new pay agreement. According to Healey, the new fiscal package will not lead to an increase in the public deficit this year because the spending measures will be financed out of the government's contingency reserves.//

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[] //Initial union reaction to the pay policy was largely negative. Within hours of his speech, railway workers called for a 63.5-percent pay increase effective next April. Earlier this month, the coal miners' conference approved a claim for a 90-percent increase effective November; their last increase was only 8 months ago. Other unions may also push for early settlements, increasing the chances of a wage explosion.//

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[] //There are some underlying economic conditions, however, that could at least limit such an explosion. The government is tied to a program of budget tightening and monetary restraint under conditions set by the International Monetary Fund. Economic activity remains sluggish and unemployment has continued to rise. Finally, existing limits on public spending and the large number of workers in the public sector provide the government with an opportunity to set the tone for private sector wage negotiations.//

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WEST GERMANY: Economic Measures

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[] //West Germany is considering additional measures to stimulate the economy later this year. The country will not meet its growth target for 1977, and officials are under growing political pressure to slow the increase in unemployment.//

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25X1 [redacted] //A decision on the new measures is unlikely before fall. Working level officials insist they need more time to assess the shortfall in economic growth. The government could also want to ensure maximum political benefits from the new package during the state elections to be held from March through October next year.//

25X1 [redacted] //Fiscal measures under consideration would stimulate consumption rather than investment, probably through personal tax cuts or increased government spending. Further investment incentives, such as reductions in business taxes or enlarged depreciation allowances, apparently have been ruled out because of left-wing opposition.//

25X1 [redacted] Several minor expansionary moves already have been taken. Employment programs have been expanded somewhat, and Finance Minister Apel has agreed to speed current federal expenditures and the medium-term public investment program. In addition, the government will not reduce federal expenditures in 1978 despite a reduction in Bonn's share of the value-added tax revenue. Despite these expansionary moves, the growth rate for 1978 is still likely to be less than that for this year.

25X1 [redacted]
GUINEA: Relations with USSR

25X1 [redacted] *Guinean President Sekou Toure again seems to be trying to determine what he might gain from loosening his ties with the USSR. He has "promised" to curtail Soviet TU-95 flights from Conakry, but expects security and economic help from the US in return.*

25X1 [redacted] In a recent conversation with Ambassador Harrop, Sekou Toure confirmed Prime Minister Beauvogui's statement in Washington on June 23 that Guinea has forbidden the Soviets from basing TU-95 naval reconnaissance aircraft in Conakry as of June 23. A year ago, Guinean officials said the same thing, but the Soviet flights continued--presumably because the US did not grant a Guinean request for security guarantees.

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[] The ambassador believes Sekou Toure is genuinely exploring the possibility of developing a more nonaligned policy for Guinea. The Guinean President is motivated in part, according to the ambassador, by a growing recognition that Guinea's economic development depends on the West, not the East, and that rapport with the Soviets has been declining in recent years. []

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BRIEFS

Peru:

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[] Peru's regional military commanders have been convened in Lima amidst increasing rumors of a top-level government shakeup.

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[] Although routine meetings with the commanders are held periodically, the present meeting is taking place in an atmosphere of deepening crisis brought about by widespread rioting over food and fuel price increases, sharp disagreement among the military rulers over economic policy, and a general strike planned for next week. The commanders are often consulted on major governmental changes and key policy matters.

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Netherlands:

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[] Dutch Prime Minister Joop den Uyl notified Queen Juliana yesterday that he has been unable to form a new coalition government because of disagreement with the Christian Democrats over a proposed profit-sharing bill.

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[] The proposed bill is one of four pieces of legislation that form the major part of den Uyl's program. The three parties involved in trying to form a government--den Uyl's Labor party, Justice Minister van Agt's Christian Democrats, and the small, left-of-center Democrats '66 party--have so far reached agreement on only one of these, the land-expropriation bill.

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[redacted] The Queen will now probably consult with most major political leaders before naming another formateur. Den Uyl will continue as caretaker until a new cabinet is formed, a process that could take months. [redacted]

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